

Thalawa Pradeshiya Saba
Anuradhapura District

1. Financial Statements

1.1 Presenting Financial Statements

The financial statements for the year 2018 had been presented to the Audit 01 April 2019 and the summary report of the Auditor General relating to those financial statements had been submitted to the Chairman on 16 August 2019 and the detailed management audit report had been submitted on 13 July 2019.

1.2 Disclaimer of Opinion

I express no opinion on the Financial Statements of the Pradeshiya Saba. Due to significance of the matters discussed in the basis for disclaimer of opinion, I could not obtain sufficient and appropriate audit evidence to express an audit opinion.

1.3. Basis for disclaimer of opinion

(a) Accounting deficiencies

	Audit Observation	Recommendation	Comments of the Accounting Officer
(i)	Even though an Air Conditioner valued at Rs.744,000 purchased from the fund of the Pradeshiya Saba had been disposed of on 20 th April 201, it had not been removed from the accounts.	Should be written off from the Accounts	Answers have not been provided.
(ii)	Stamp Duty income for the year under review amounted to Rs. 3,939,900 was not stated in the Financial Statements.	This should be stated in the relevant accounts.	Answers have not been provided.
(iii)	Interest income for loans of Domestic Loan Development Fund for the year under review has been stated less by Rs. 212,049.	Interest income should be accounted correctly	
(iv)	As at 31 December year under review unrecognized deposit of Rs. 2,927,860 in 3 Current Accounts of the Pradeshiya Saba has not been accounted recognizing it.	Deposits should be accounted by recognizing it.	Answers have not been provided.

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| (v) | Rent for the Motor Grader received in December year under review for a function to be delivered in January 2019 that is amounted to Rs. 50,000 has been accounted as an income of the year under review. | Should be accounted correctly. | Answers have not been provided. |
| (vi) | The difference of Rs.136, 246 was stated in the Financial Statements as Other Income by setting off 02 revenue codes amounted to Rs 310,312 to a revenue code amounted to Rs.136, 246. | Actions should be taken to reveal the income and expenditure clearly and such setting offs should not be carried out. | Answers have not been provided. |
| (vii) | Even the total value of the Thalawa Public Market Complex constructed under the North East Local Services Improvement Project (NELSIP) should be Rs. 31,620,454, value of this lands and buildings has been accounted as Rs. 19,250,868. | The relevant value of the assets should be accounted correctly. | Answers have not been provided. |
| (viii) | During the year under review the value of the 02 development projects amounted to Rs. 1,979,927 developed under lands and buildings belongs to the Pradshiya Saba has not been capitalized. | The relevant assets should be capitalized. | Answers have not been provided. |
| (ix) | Actions were taken to identify and account cost of unidentified Rice Mill, 02 Grass Trimmers and equipment set for a Milk bar. | Actions should be taken to account recognizing these by an accurate survey. | Answers have not been provided. |
| (x) | Actions were not taken to make provisions for the Audit Fee in relevant to year 2018. | All the expenses should be accounted on accrual basis. | Answers have not been provided. |
| (xi) | Even the surplus in the statement of Financial Operations for the year ended 31 December of the year under review is Rs. 8,889,725 it has been stated in less amount | Financial position, Financial Result should be reflected correctly in accounts. | Answers have not been provided. |

as Rs. 1,626,693 and the correct surplus is Rs. 10,516,418

(b) Uncertain Account

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Actions were not taken to settle the accounts making necessary adjustments examining the balance of the Uncertain Account amounted Rs.1,103,934 as at 31 December year under review.</p>	<p>Accounts should be prepared correctly settling the uncertain accounts.</p>	<p>Answers have not been provided.</p>

(c) Un-reconciled Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(i) Since total arrears in the Balance Checking of 4 lease balances amounted to Rs. 2,136,970 has been shown in Financial Statements as Rs.934,795 as at 31 December year under review, there was a difference of Rs. 1,201,175 in the Financial Statements.</p>	<p>Actions should be taken to correct this reconciling the relevant changers.</p>	<p>Answers have not been provided.</p>
<p>(ii) Since total commitments and liabilities has been stated as Rs. 273,227,354 even the total assets in the Statement of Financial Position as at 31 December year under review was Rs.266,359,881, there was a difference of Rs. 6,867,473.</p>	<p>Should be corrected identifying the differences.</p>	<p>Answers have not been provided.</p>
<p>(iii). There was a difference of Rs. 7,731,919 between the balances of documents/ schedules in relevant to 05 Accounts Codes. Details are given below.</p>	<p>Actions should be taken to correct this reconciling the relevant changers.</p>	<p>Answers have not been provided.</p>

(d) Accounts receivable

Audit Observation	Recommendation	Comments of the Accounting Officer
Actions were not taken to recover 17 due balances amounted to Rs.36,026 this is carrying forward from many years.	Actions should be taken to recover the due balances.	Answers have not been provided.

(e) Non availability of written evidence for auditing.

Audit Observation	Recommendation	Comments of the Accounting Officer
Due to non submission of title certificates, assets reports, Survey Board Reports and descriptive schedules in relevant to 17 Accounts Codes amounted to Rs. 234,274,798, these could not be verified/ supervised at the auditing.	Written evidence required to certify the values in the Financial Statements should be furnished.	Answers have not been provided.

1.4 Non-compliances

Non-compliance with Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations,	Non-compliances	Recommendation	Comments of the Accounting Officer
(a) Nation Building Tax Act No. 09 of 2009	Total of Rs. 423,779 collected as the Nation Building Tax for the year under review and previous years has not been remitted to the Commissioner General of Inland Revenue.	Actions should be taken in compliance with the Act.	Answers have not been provided.
(b) Stamp Duty (Special Provisions) Act No. 12 of 2006	Stamp Duty of Rs. 206,995 has not been remitted to the	Actions should be taken in compliance with	Answers have not been provided.

Commissioner
General of Inland
Revenue

the Act.

- (c) Section 50(1) of the National Thoroughfares Act No. 40 of 2008
- Even the Executive Engineers Office of Anuradhapura has ordered to remove the shop that was constructed by the Pradeshiya Saba exceeding the conservation limit of the Anuradhapura main road, it has not been removed.
- Actions should be taken in compliance with the Act.
- Answers have not been provided.
- (d) Gazette Notification No. 2045 dated 10 November 2011 of the Democratic Socialist Republic of Sri Lanka.
- Fee for transporting gravel in roads within the limits of Pradeshiya Sabha, has not been charged.
- Actions should be taken in compliance with the Gazette Notification.
- Answers have not been provided.

02. Financial Review

2.1 Financial Result

As per the presented Financial Statements, revenue exceeding the recurrent expenditure for the year ended 31 December 2018 is Rs. 12,224,306 and corresponding revenue exceeding the recurrent expenditure for the previous year was Rs. 28,371,569

2.2 Financial Control

Audit Observation

Recommendation

Comments of the
Accounting Officer

Instead of stating the balance of Rs,11,336,844 in the Statement of Financial Position as at 31 December year under review as per the revised cash book, the cash book balance before revision that was Rs.8,540,034 has been stated.

In presenting Financial Statements, should certify that the correct information is included there and actions should be taken against presenting careless information.

Answers have not been provided.

3 Revenue Administration

2.3.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears Revenue

Estimated Revenue, Billed Revenue, Collected Revenue and Arrears Revenue presented for the year under review and previous years are as follows.

Revenue Source	2018				2017			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total deficit as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total deficit as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Assessment Duty and Taxes	13,186,113	6,343,113	6,181,033	15,515,764	2,080,444	6,119,636	4,981,307	15,503,033
(ii) Fines from Courts	6,930,000	5,700,000	9,500,000	12,611,712	7,801,067	6,500,000	6,000,000	10,378,207
(iii) Stamp duty		3,000,000	-	6,664,130	-	2,000,000	-	3,502,840
(iv) Licence Fee	2,678,000	401,000	392,595	-	518,350	472,500	604,090	-
Business Tax		3,414,000	4,763,510	-	4,789,774	3,200,000	5,242,174	-
Rent	18,456,253	2,838,640	1,522,395	308,740	1,204,560	1,182,640	1,381,035	583,280
Tenders	4,213,613	4,213,613	2,931,637	443,828	4,138,100	4,138,100	2,012,029	483,118
Total	45,463,979	25,910,366	25,291,170	35,544,173	20,532,295	23,612,876	20,220,635	30,450,478
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2.3.2 Performance of Collecting Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
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Only Rs. 25,291,170 that is 45% of the revenue arrears and billed revenue as at 01 January of the year under review has been recovered.

Actions should be taken to recover the revenue arrears as per the Act.

Answers have not been provided.

2.3.3 Lease rents

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Only Rs. 958,685 that is 34% of the billed rental amounted to Rs.2,836,640 as at 01 January of the year under review has been recovered.	Actions should be taken to recover the rent income.	Answers have not been provided.
(b) Only Rs. 2,791,199 that is 66% of the billed tender revenue amounted to Rs.4,213,613 has been recovered under year review..	Actions should be taken to recover the total value as at agreement. Actions should be taken against those who breach the agreements as per the tender conditions.	Answers have not been provided.

2.3.4 Fines from the Courts and Stamp Duty

Audit Observation	Recommendation	Comments of the Accounting Officer
Fines from the courts amounted to Rs. 12,611,712 and Stamp Duty amounted to Rs. 12,426,660 was due as at 31 December of the year under review	Actions should be taken to recover the relevant charges.	Answers have not been provided.

03. Operating Review

3.1 Performance

The matters revealed on regulation, control and administration of matters relating to public health, public utility services and public thoroughfares and generally within the protection and promotion of the comfort, convenience and welfare of the people under the Section 3 of the Pradheshiya Sabhas Act is as follows.

(a) By Laws

Audit Observation	Recommendation	Comments of the Accounting Officer
By Laws have not been enacted to deliver the 28 main purposes under Section 126 of the Local Authorities Act.	Actions should be taken enacting By Laws in relevant to matters.	Answers have not been provided.

(b) Plan of Action

Audit Observation	Recommendation	Comments of the Accounting Officer
Annual plan of action has not been prepared.	A plan of Action has to be prepared.	Answers have not been provided.

(c) Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Accounting Officer
The Pradeshiya Saba has not been aware of the Sustainable Development Agenda 2030 of the United Nations.	Action should be taken to achieve the objectives by setting targets.	Answers have not been provided.

3.2 Management inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Rs. 101,097 has been paid to 15 officers as incentive based on payments made by areas	Incentive could not be paid to the payments made at the office.	Answers have not been provided.

Assessment Tax payers to the office.

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| (b) | 5 vehicles with a cost of Rs.39,686,310 that was used by the Pradeshiya Sabha had not been registered. | Actions should be taken to register the relevant vehicle. | Answers have not been provided. |
| (c) | During the period from January to June 2018, 20 receipt books have been misplaced. | Actions should be taken as per FR 103 and FR 104 in relevant to misplaced receipt books. | Answers have not been provided. |
| (d) | Rs.222,276 received by 37 receipts issued by revenue codes in relevant to the General Account during the period from 06 February to 30 July has not been banked. | Should take immediate actions in relevant to the responsible parties in accordance with the provisions of the E-Code subsequent to actions as per FR 103 and 104. | Answers have not been provided. |
| (e) | Rs. 83,200 received to the Pradeshiya Saba for deploying machines by 10 receipts for the period from 07 to 30 March 2018 has not been banked. | Actions should be taken in as per FR 103 and FR 104. | Answers have not been provided. |
| (f) | Damages to Tipper Lorry bearing No. LL 6932 belongs to the Pradeshiya Sabha due to an accident occurred on 26 April 2018 has not been repaired even by 31 December 2018. | Actions should be taken to recover the damage and do the repairs by initial and preliminary investigations. | Answers have not been provided. |
| (g) | Even the Thalawa Public Market Complex has been handed over to the Pradeshiya Sabha in March 2017, actions were not taken to lease or rent out it even by 31 December 2018. | Immediate actions should be taken to earn revenue by leasing or renting out the Public Market Complex. | Answers have not been provided. |

3.3 Operating inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) ----- A set of machinery for production of rice flour based products valued at Rs. 814,000 was given to a third party without a written agreement or approval for a period from year 2013 to year under review and actions were not taken to gain revenue by following up on this.</p>	<p>----- Actions should be taken to give on written agreement and to recover the revenue from the relevant assets.</p>	<p>----- Answers have not been provided.</p>
<p>(b) Estimates for 03 projects of Rs. 29,206,846 under the programme for development of 100 km in rural areas have not been approved as the Pradeshiya Sabha acted inefficiently in preparation of estimates. Also the amount of Rs.156, 915 spent for calling Bids has become useless.</p>	<p>Actions should be taken to recover the loss for publishing advertisements from the relevant parties.</p>	<p>Answers have not been provided.</p>
<p>3.4 Idle / Underutilized assets</p>		
Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) ----- 12 Units of Fixed Assets units, valued at Rs.15,982,671 were in idled.</p>	<p>----- Actions should be taken in accordance with Public Finance Circular No. 353 dated 30 September 1997, No. 438 dated 13 November 2009 and 353 (5) dated 03 January 2003 and FR 771.</p>	<p>----- Answers have not been provided.</p>
<p>(b) Rice Milling Machine and equipment for Milk Bar were underutilized and rusted without use within the Pradeshiya Sabha premises.</p>	<p>Actions should be taken to utilize the assets carrying out a survey on relevant assets.</p>	<p>Answers have not been provided.</p>
<p>4. Accountability and Good Governance</p>		
<p>----- Implementation of Audit and Management Committees</p>		

Audit Observation

Recommendation

Comments of the Accounting
Officer

Audit and Management Meetings has not been held for the year 2018, as per the Circular No. DMA/2009 (1) (i) dated 28 January 2016 issued by the Department of Management Audit of the Ministry of Finance.

Actions should be taken as per the Circular.

Answers have not been provided.